

Message Text

CONFIDENTIAL

PAGE 01 QUITO 02292 081702Z

ACTION ARA-14

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C O N F I D E N T I A L QUITO 2292

E.O. 11652: GDS

TAGS: EGEN

SUBJECT: REASONS FOR SEVILLA'S RESIGNATION AS FINANCE MINISTER

REFS: (A) QUITO 2251; (B) QUITO 2277; (C) QUITO 2267

1. SUMMARY: IN A LETTER OF RESIGNATION RELEASED TO THE PRESS, FINANCE MINISTER SANTIAGO SEVILLA HAS GIVEN AS THE REASON FOR HIS RESIGNATION A PROCEDURAL ERROR ON THE PART OF THE MINISTRY, FOR WHICH HE ASSUMES RESPONSIBILITY, IN ITS CONCLUSION OF A CONTRACT WITH A LOCAL RESEARCH ORGANIZATION FOR A STUDY ON UNEMPLOYMENT. HOWEVER, IT APPEARS THAT SEVILLA HAD BEEN PLANNING FOR SOME TIME TO RESIGN, AND THAT THESE PLANS CRYSTALIZED AT LAST WEEK'S CABINET MEETING, AT WHICH THERE WAS AN ALTERCATION BETWEEN HIM AND SUPREME COUNCIL MEMBER GENERAL DURAN. THE TREASURER OF THE NATION AND THE UNDER-SECRETARY FOR REVENUES, BOTH OF WHOM ARE CLOSE PROTEGES OF SEVILLA'S, HAVE ALSO RESIGNED. END SUMMARY.

2. HOURS AFTER ANNOUNCING ON APRIL 6 HIS RESIGNATION, SANTIAGO SEVILLA MADE PUBLIC HIS LETTER OF RESIGNATION (REF B), WHICH ATTRIBUTES IT TO A MISTAKE COMMITTED BY A LOW-LEVEL FINANCE MINISTRY OFFICIAL, FOR WHICH SEVILLA ASSUMES RESPONSIBILITY, WHO PROCESSED IMPROPERLY A CONTRACT FOR THE ECONOMIC RESEARCH ORGANIZATION FEDESARROLLO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 02292 081702Z

TO CONDUCT A STUDY ON UNEMPLOYMENT. ACCORDING TO ECUADOREAN LAW, THE MINISTRY SHOULD HAVE REQUESTED THE COMPTROLLER-GENERAL TO ISSUE A FAVORABLE REPORT ON THE CONTRACT BEFORE PROCEEDING TO CONCLUDE IT; THE MINISTRY, HOWEVER, PROCEEDED TO SIGN THE 11-MILLION SUCRE (US\$440,000) CONTRACT WITHOUT HAVING SOLICITED THE REQUIRED REPORT FROM THE COMPTROLLER-GENERAL.

3. ON THE HEELS OF SEVILLA'S PUBLIC LETTER TO THE PRESS, TWO OF HIS PROTEGES IN THE MINISTRY ALSO RESIGNED--HUGO AMORES, TREASURER OF THE NATION, AND GUILLERMO PENAHERRERA, UNDERSECRETARY FOR REVENUES, BOTH OF WHOM ARE CLOSE ASSOCIATES OF SEVILLA AND OWED THEIR JOBS TO HIM. THERE IS SPECULATION IN THE ECUADOREAN PRESS APRIL 7 THAT THE REMAINING TWO UNDERSECRETARIES WILL ALSO RESIGN.

4. EMBASSY COMMENT: WE HAVE LEARNED FROM RELIABLE SOURCES THAT AT THE LAST CABINET MEETING, ON APRIL 4, THERE WAS AN ALTERCATION BETWEEN SEVILLA AND SUPREME COUNCIL MEMBER GENERAL DURAN, WHICH LEFT THE PARTICIPANTS IN THE MEETING WITH THE EXPECTATION THAT SEVILLA WOULD SOON RESIGN, AND WHICH APPARENTLY WAS THE SOURCE OF THE RUMORS DURING THE PAST WEEK THAT SEVILLA WOULD DO SO. REPORTEDLY, THE GENERAL COMPLAINED TO SEVILLA, IN HIS CUSTOMARY BRUSQUE FASHION, THAT LATELY HE HAD BEEN HEARING TOO MANY COMPLAINTS FROM ALL SIDES CONCERNING THE GOE'S CONTINUED LARGE-SCALE BORROWINGS, AND ABOUT RECENT INFLATIONARY TRENDS; HE DEMANDED THAT SEVILLA DO SOMETHING TO STEM THE COMPLAINTS. SEVILLA IN RESPONSE REPORTEDLY REMINDED THE GENERAL THAT MUCH OF THE RECENT BORROWING HAD BEEN INITIATED BY THE MILITARY AND HAD BEEN OPPOSED BY SEVILLA, AND THAT SEVILLA'S EFFORTS TO RESTRAIN INFLATION HAD ALSO BEEN UNDERCUT BY

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 02292 081702Z

VARIOUS ORDERS FROM THE HIGHEST MILITARY LEVELS. THE EXCHANGE BETWEEN THE TWO REPORTEDLY CONTINUED FOR SOME TIME, WITH VOICES RISING, AND WITH NEITHER CONCEDING POINTS TO THE OTHER.

5. THERE IS REASON TO BELIEVE THAT SEVILLA HAD BEEN CONSIDERING RESIGNING FOR SOME TIME NOW, WAS LOOKING FOR AN EXCUSE TO DO SO, AND SEIZED UPON THE FEDESARROLLO CONTRACT INCIDENT AS SUITABLE FOR THE PURPOSE. ONE REASON FOR SUCH BELIEF IS THAT SEVILLA SOME WEEKS AGO TOLD THE E/C COUNSELOR THAT HE "WILL NOT BE IN THIS JOB MUCH LONGER", AND ASKED ASSISTANCE IN OBTAINING A VISA THAT WOULD PERMIT HIM TO ENTER THE U.S. FREELY AND OFTEN BECAUSE, SEVILLA SAID, HE OWNS AN APARTMENT IN WASHINGTON WHERE HE WOULD LIKE TO SPEND TIME OCCASIONALLY AFTER HE LEAVES OFFICE. (IT TURNED OUT THAT SEVILLA AND ALL HIS FAMILY MEMBERS ALREADY HAD VALID NON-IMMIGRANT VISAS PERMITTING THEM MULTIPLE ENTRIES UNTIL 1981.) SEVILLA ALSO TOLD THE COUNSELOR HE HAD BEEN REQUESTED BY THE CONSERVATIVE PARTY TO PLAY AN ACTIVE POLITICAL ROLE IN THEIR RANKS AFTER HE LEAVES OFFICE, AND HE INDICATED THAT HE WAS INCLINED TO DO SO.

6. IN THE 24 HOURS SINCE SEVILLA'S RESIGNATION, WE HAVE HEARD NOTHING TO SUBSTANTIATE THE STATEMENT BY DEFENSE MINISTER ARRATA (REF A) THAT HE WILL BE SEVILLA'S REPLACEMENT. ARRATA WAS FOR SOME YEARS THE TREASURER FOR THE MUNICIPALITY OF QUITO, AND THUS HAS A SEMBLANCE OF QUALIFICATIONS FOR THE POSITION. HOWEVER, THE FINANCE MINISTERSHIP THROUGHOUT THE YEARS OF MILITARY GOVERNMENT SINCE 1972 HAS BEEN A CIVILIAN PRESERVE, AND ITS OCCUPANCY NOW BY A MILITARY OFFICER WOULD SURELY TOUCH OFF VEHEMENT PROTESTS; WE THEREFORE VERY MUCH DOUBT THE GOE WOULD TAKE SUCH A STEP AT THIS JUNCTURE. ONE RUMOR IS THAT THE CURRENT UNDERSECRETARY FOR THE BUDGET, JUAN REYNA, WILL BE PROMOTED INTO THE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 QUITO 02292 081702Z

MINISTERIAL POSITION (RATHER THAN RESIGNING AS SPECULATED IN THE PRESS, PER PARA 3).

7 FEDESARROLLO (FUNDACION PARA LA EDUCACION Y EL DESARROLLO) IS A WELL RESPECTED ECUADOREAN NON-PROFIT RESEARCH ORGANIZATION DIRECTED BY FRANCISCO HUERTA MONTALVO, THE LIBERAL PARTY'S CANDIDATE FOR THE PRESIDENCY. THE CONCLUSION OF THE FAIRLY EXPENSIVE CONTRACT FOR FEDESARROLLO TO CONDUCT A STUDY OF UNEMPLOYMENT HAS BECOME AN ISSUE IN THE PRESIDENTIAL ELECTION CAMPAIGN IN RECENT DAYS (REF C). SEVILLA'S LETTER OF RESIGNATION STRESSES THAT THE CONTRACT WAS INITIATED WELL BEFORE HUERTA BECAME A PRESIDENTIAL CANDIDATE, AND THAT FEDESARROLLO IS IN NO WAY RESPONSIBLE FOR THE MINISTRY'S PROCEDURAL ERROR IN HANDLING IT. END COMMENT. CORR

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